MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BAC4634 – CORPORATE ACCOUNTING II

(All sections / Groups)

28 MAY 2019
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages (excluding the cover) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Cosy Beach Berhad is a Malaysian company that engages in the hospitality business. As part of the expansion initiative, on 1 January 2018, Cosy Beach Berhad acquired 100% ownership of a subsidiary, Blue Coral Ltd, a company in the United States. The consideration paid is RM20,000,000. This amount has been recognized in the non-current assets of Cosy Beach Berhad. On the acquisition date, Blue Coral Ltd had a retained profit of $6,000,000. The financial year end of both Cosy Beach Berhad and Blue Coral Ltd is 31 December annually.

The following information relates to the parent and subsidiary for year 2018:

Statement of profit or loss for the year ended 31 December 2018

	Cosy Beach Berhad RM'000	Blue Coral Ltd $'000
Revenue	60,000	20,160
Cost of sales	(42,000)	(7,920)
Gross profit	18,000	12,240
Operating expenses	(1,100)	(880)
Operating profit	16,900	11,360
Taxation	(5,000)	(4,160)
Profit for the year	11,900	7,200

Statement of Financial Position as at 31 December 2018

	Cosy Beach Berhad RM'000	Blue Coral Ltd $'000
Non-current assets	64,400	64,000
Trade receivables	6,000	11,200
Bank	4,600	4,000
Trade payables	(8,000)	(6,000)
Borrowings	(5,000)	(4,000)
	62,000	69,200
Share capital	50,000	56,000
Retained profit	12,000	13,200
	62,000	69,200

The following are the relevant exchange rates for RM1:

1 January 2018	$4.00
Average rate 2018	$3.60
31 December 2018	$3.20

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Required:

In compliance with the MFRS 121: *The Effects of Changes in Foreign Exchange Rates* and using the net investment method:

a) Prepare the translated Statement of Profit or Loss for the year ended 31 December 2018.
(2 marks)

b) Prepare the translated Statement of Financial Position as at 31 December 2018.
(4 marks)

c) Compute the goodwill on consolidation.
(2 marks)

d) Prepare the reconciliation of the exchange difference for year 2018.
(3 marks)

e) Prepare the Consolidated Statement of Profit or Loss for the year ended 31 December 2018.
(4 marks)

f) Prepare the Consolidated Statement of Financial Position as at 31 December 2018.
(10 marks)

(Total: 25 marks)

QUESTION 2

Part A

Multi Focus Berhad is a Malaysian listed company that operates fast food restaurants. On 1 January 2018, Multi Focus Berhad had new additional businesses namely supplying dairy products and furnitures, plantation, education and logistics. The management reported the operating segments internally as follows:

	Fast food restaurants RM	**Dairy products RM**	**Furnitures RM**	**Plantation RM**	**Education RM**	**Logistics RM**
Revenue	24,000	88,000	26,000	18,000	32,000	12,000
Profit or loss	10,000	16,000	(2,000)	(4,000)	4,000	3,400
Total assets	120,000	220,000	100,000	150,000	40,000	20,000
Depreciation	12,000	5,000	9,000	14,000	3,000	1,000

The directors of Multi Focus Berhad are wondering on the impacts of engaging in the new business, particularly on the disclosures of reportable segments.

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Required:

In accordance with the MFRS 8: *Operating Segments*,

a) Compute the reportable segments by using the quantitative thresholds.

(9 marks)

b) Illustrate the reportable segments as the extract in the notes to the financial statement.

(4 marks)

Part B

Big Heart Berhad is a Malaysian listed company. The company engages in the palm oil plantation business. The financial year end is 31 December annually. In year 2018, the board of directors decided that the company should prepare the interim reports for the period ended 30 June 2018.

The management provided the following financial transactions as at 30 June 2018 for you, as the accountant, for decision making:

a) Big Heart Berhad purchased a machine from Singapore on credit from Silver Ltd amounting to S$80,000. The spot rate on the purchase date was RM1:S$1.00. As at 30 June 2018, the full balance was still unpaid. The closing rate at 30 June 2018 was RM1:S$0.80.

b) Big Heart Berhad had property, plant and equipment amounting to RM100 million. The company adopted a straight-line method in calculating depreciation, using the 20% rate. The management planned to purchase a new equipment amounting to RM40 million on 1 April 2018. However, due to funding issue, it was postponed to 1 October 2018.

c) As part of the expansion, in April 2018, Big Heart Berhad incurred RM8 million for development expenditure. However, as at 30 June 2018, the recognition criteria for the development expenditure were not met. It was on 1 October 2018 that the recognition criteria were met.

Required:

In compliance with MFRS134: *Interim Financial Reporting*, analyze the financial information and explain to the directors on how the above items should be recognized and measured as at 30 June 2018. Include in your analysis the impacts on the interim profit for the period ended 30 June 2018.

(12 marks)

(Total: 25 marks)

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QUESTION 3

Part A

The identifiable assets and goodwill of a cash generating unit of Johan Sdn. Bhd. for the year ended 31 December 2016 were:

	Carrying amount before impairment loss RM	Impairment Loss RM	Carrying amount after impairment loss RM
Property	50,000,000	(12,000,000)	38,000,000
Plant	40,000,000	(9,600,000)	30,400,000
Equipment	10,000,000	(2,400,000)	7,600,000
	100,000,000	24,000,000	76,000,000
Goodwill	30,000,000	30,000,000	0
	130,000,000	54,000,000	76,000,000

The company depreciated the assets on a straight line basis. The remaining useful life of the assets as at 31 December 2016 were:

Property	40 years
Plant	20 years
Equipment	10 years

On 31 December 2018, the recoverable amount of the cash generating unit was estimated to be RM105,000,000.

Required:

In compliance with MFRS136: *Impairment of* Assets, measure the reversal of the impairment loss and how it should be allocated to the assets in the cash generating unit.

(13 marks)

Part B

G-Tech Bhd commences the business on 1 January 2017. The extraction of some of the accounts for the year ended 31 December 2018 was:

	RM'000
Cash	50,000
Account receivable (net)	60,000
Prepaid insurance	10,000
Inventory	65,000
Plant-net	450,000
Machinery	80,000
Deferred tax liability (as at 1.1.2018)	5,000
Accounts payable	55,000
Provision for warranty	40,000
Loan payable	320,000

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Other information:

i) The provision for doubtful debts for the year is RM15,000.
ii) The plant was purchased at RM600,000 on 1 January 2018. For accounting purposes, its expected useful is 4 yours. However, for tax purposes, it can be depreciated over 3 years. The plant has no residual value.
iii) During the year, machinery was revalued and the revaluation surplus was RM10,000. At the end of the year, the tax written down value of the machinery was RM30,000.
iv) The tax law allowed for the provision to be claimed on incurred basis. During the years, none has actually been paid.
v) The tax rate for 2017 was 25% and was 22% for the year 2018.

Required:

Measure the amount of the deferred tax charged in the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2018.

(12 marks)

(Total: 25 marks)

QUESTION 4

Part A

Sunrise Berhad has a defined benefits plan where the employees will be entitled for 1.5% of the final withdrawn salary for each year of service. The information about the defined benefits plan for the year ended 31 December 2018 were:

i)

	31 December 2017	**31 December 2018**
Present value of obligation	RM 3,200 million	RM 3,700 million
Fair value of plan assets	RM 3,100 million	RM 3,530 million

ii) The present value of the pension benefits earned by the employees in the year 2018 was RM 40 million.
iii) The total contribution paid to the plan was RM 20 million.
iv) The pension benefits paid in the year were RM 34 million.
v) At the end of the year, the company decided to provide an increased pension entitlement to its employees. The present value of the cost of these benefits as calculated by the actuaries were RM 205 million.
vi) The market yield of the high quality corporate bonds at 31 December 2018 was 5% while at 31 December 2017 was 6%.

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Required:

In accordance with MFRS 119: *Employee Benefits*:

a) Measure the amount that would be charged in the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.

(5.5 marks)

b) Determine the extracts of Sunrise Bhd's Statement of Financial Position as at 31 December 2018 (Reconciliation section is required).

(2.5 marks)

Part B

In order to retain and motive its employees, Ava Bhd offered 200,000 options with fair value of RM 6 to its employees on 1 January 2017 with 3 years vesting periods. The options are exercisable from 1 January 2021. The intrinsic values for the share options were RM 4 for the year 2017 and RM 8 for year 2018. The company tax rate is 25%.

Required:

In accordance with MFRS 2: *Share-based payments*, determine the impact of the grant of share options to the employees on deferred tax for year 2017 and 2018.

(8 marks)

Part C

Whitty Bhd issued a RM 15 million 4% convertible loan notes on 1 January 2015. Upon maturing on 1 January 2018, the holder has the options to either accept cash or convert the notes into ordinary shares at the rate of RM 100 notes into 50 ordinary shares. The market interest rate was 12%. On 1 January 2018, 30% of the loan holders accepted cash.

Present value factors Period	**12%**
1	0.8929
2	0.7972
3	0.7118

Required:

a) Measure the loan amount over its maturity period (for all the calculation, round the figures to the nearest thousand).

(7 marks)

b) Prepare the journal entries in the book of Whitty Bhd on 1 January 2018.

(2 marks)

(Total: 25 marks)
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